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November 13, 2001

VIA E-MAIL TRANSMISSIONMs. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, N.W.
Washington, D.C. 20508Re: Comments on Relief for the Steel Industry under Section 203(a) of the
Trade Act Of 1974; Eaton Corporation's Request for Exclusion for
Certain Engine Valve Steels

Dear Ms. Blue:

Pursuant to the notice of the Office of the U.S. Trade Representative ("USTR"), 66 Fed. Reg. 54321 (Oct. 26, 2001), "Trade Policy Staff Committee: Public Comments on Potential Action under Section 203 of the Trade Act of 1974 with Regard to Imports of Certain Steel," we hereby submit the business confidential and public versions of Eaton Corporation's Request for Exclusion for Certain Engine Valve Steels.

In accordance with 15 C.F.R. §2003.6, we respectfully request confidential treatment for the bracketed confidential business information ("CBI") on pages 3-4 and 6-7. The bracketed information consists of proprietary materials specifications, supplier names, purchase volumes, and pricing data or information from which pricing data can be derived. All of the bracketed CBI is considered sensitive confidential business information, the disclosure of which would cause substantial harm to Eaton's competitive interests. The public version of the comments contains the requisite public summary of deleted business confidential information.

If you have any questions regarding the attached, please do not hesitate to contact me at 202-942-8408.

Sincerely,

Michael D. Esch
Counsel to Eaton Corporation

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**COMMENTS ON RELIEF FOR THE STEEL INDUSTRY
UNDER SECTION 203(a) OF THE TRADE ACT OF 1974**

**Eaton Corporation's Request for Exclusion for
Certain Engine Valve Steels**

November 13, 2001

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**COMMENTS ON RELIEF FOR THE STEEL INDUSTRY
UNDER SECTION 203(a) OF THE TRADE ACT OF 1974**

**Eaton Corporation's Request for Exclusion for
Certain Engine Valve Steels**

On behalf of Eaton Corporation ("Eaton"), and pursuant to the notice of the Office of the U.S. Trade Representative ("USTR"), 66 Fed. Reg. 54321 (October 26, 2001), we hereby submit Eaton's request that certain engine valve steels be excluded from any relief granted by the President under Section 203(a) of the Trade Act of 1974, as amended, 19 U.S.C. §2253(a), with regard to steel imports. Eaton, headquartered in Cleveland, Ohio, is a global, \$8 billion diversified industrial manufacturer of auto parts. Eaton requests an exclusion for three special types of steel, classified in the stainless steel bar and tool steel product categories, that Eaton uses to produce engine valves.

I. Executive Summary

Eaton uses certain foreign-made steels at several of its U.S. facilities to produce highly specialized engine exhaust and intake valves. These steels have distinct metallurgical properties designed to withstand the high-operating stress, heat, and corrosive elements to which Eaton's engine valves are exposed. The manufacture of these steels also requires special production technology and expertise. Eaton purchases a very small amount of its steel requirements from foreign sources; these particular materials are not currently commercially available in the United States. Any trade restrictions that would cut off Eaton's foreign supply of these steel products would have an adverse impact on Eaton's U.S. production and employment.

Public Version**II. Information in Support of Eaton's Request for Exclusion**

Eaton requests the exclusion of three engine valve steels from any import restrictions adopted as part of the Section 201 remedy for the steel industry. In conformity with the requirements of USTR's Federal Register notice, we provide the following information in support of Eaton's request.

A. Product Designation

The three products that are the subject of Eaton's request are classified as automotive engine valve steels under SAE (Society of Automotive Engineers) standard J775. (Given their highly-specialized nature, the valve steels are not referenced in the AISI product standards.) These three products are identified in the table below, in decreasing level of specificity, by (1) Eaton's material specification ("EMS") number; (2) the commercial designation under the SAE standard; (3) the HTS number under which the product is classified; and (4) the product category designation used by the ITC in the Section 201 investigation.

	Engine Valve Steels in Eaton's Exclusion Request		
Eaton Material Specification	EMS 1	EMS 284	EMS 247
Commercial Designation	Silchrome 1	SUH-11	21-4N+NB+W
HTS number	7228.50.1060	7228.50.1060	7222.20.0075
ITC product category	Tool Steel (Group 27)	Tool Steel (Group 27)	Stainless Steel Bar (Group 25)

B. Description of the Product Based on Physical Characteristics

The table below identifies the chemical composition of the three engine valve steels (EMS 1, EMS 284, and EMS 247), along with the chemical composition of a typical commercial 304 stainless steel commonly sold in the U.S.

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Engine Valve Steels in Eaton's Exclusion Request				Typical Stainless Steel Product
Commercial Designation	Silchrome 1	SUH-11	21-4N+Nb+W	304
Eaton Material Spec.	EMS 1	EMS 284	EMS 247	NA
Chemical Composition				
Carbon				.080
Manganese				2.00
Phosphorus (max)				.045
Sulfur (max)				.030
Silicon				.750
Chromium				18.00 / 20.00
Nickel				8.00 / 10.50
Molybdenum				
Nitrogen				.100
Iron				
Tungsten				
Other elements				
Physical Properties				
Dimensions	Diameters [] mm	Diameters [] mm		
Surface quality			Hot-rolled with minimal surface imperfections	

Engine valve steel is fundamentally different from other stainless steels in its ultimate use, and consequently in its metallurgy. Standard commercial grades of stainless steel serve a purpose that is typically centered on the appearance or aesthetic properties of the stainless steel, i.e., a shiny, non-corrosive surface, that is imparted by the chromium and nickel content. For engine valve steel purchasers, by contrast, appearance is of little concern, as the valves will be embedded inside automotive and truck engines. To function in the environment of an internal combustion engine, engine valves must meet rigorous quality, reliability, and technology standards. Therefore, engine valve steels are designed for high temperature strength and wear and corrosion resistance, to provide long-term service in an automobile or truck engine. Although engine valve steels contain

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levels of chromium and nickel which place them into a stainless category, other elements produce a large contrast between these steels.

EMS 1 (silchrome 1) and EMS 284 (SUH-11) are martensitic valve steels used in the manufacture of intake valves. EMS 247 (21-4N +Nb+W) is an austenitic valve steel for the manufacture of engine exhaust valves. All three are components of an internal combustion engine and operate in a temperature range of 1000-1400° F.

The sharp contrast in chemical composition between engine valve steels and stainless steels in the areas of carbon, silicon, and nitrogen is shown in the table above. The carbon content for all three of the engine valve steels is five to six times that for standard stainless steel; the silicon content of EMS 284 is twice, and EMS 1 is three to four times, that of standard stainless; and the nitrogen content of EMS 247 is four to six times that of standard stainless.

C. Basis for Requesting an Exclusion

Eaton is seeking an exclusion for these three engine valve steels because trade restrictions on such steels will be of no apparent benefit to the U.S. industry, while severely impacting Eaton. Eaton's total purchases in the most recent full calendar year (2000) of imported engine valve steel represent only a minimal percentage of total U.S. imports and U.S. consumption of either product category, Stainless Steel Bar or Tool Steel, in that year. In each case, Eaton's purchases represent less than [] percent of either total imports in these categories or total U.S. consumption.

Moreover, the three types of engine valve steel for which Eaton is seeking an exclusion are not currently commercially available in the United States. The engine

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valve steels Eaton purchases from abroad require special production techniques and expertise to manufacture. Apart from the limited market for these engine valve steels, these special production requirements limit the number of stainless steel manufacturers willing to make engine valve steel. Many steel mills manufacturing commercial grades of stainless steel will not participate in engine valve steel manufacturing because the high carbon and silicon content in the valve steel requires that they maintain a separate scrap recovery circuit. The high carbon and silicon content is incompatible with the production of common SAE/AISI commodity stainless steels, and would contaminate their scrap circuit.

Furthermore, with respect to EMS 1 and EMS 284 tool steel, no U.S. supplier manufactures these products across the full range of diameters. When Eaton changed suppliers in June 2001, its U.S. supplier informed Eaton that they would no longer produce these grades of steel in any capacity. Indeed, following their removal of the equipment required for the manufacture of small diameter bars, no U.S. producer has the capability of supplying this product across the full product line. In short, Eaton is not aware of any U.S. supplier currently manufacturing this product.

Similarly, with respect to stainless steel bar (EMS 247), Eaton has not experienced with any domestic sources the high quality, hot-rolled ready for use surface condition provided by the current supplier, Aubert & Duval (France). Eaton spent three years in development and qualification of this product with Aubert & Duval. An equal time frame would be necessary to develop a comparable product with a willing domestic supplier.

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Although import restrictions on these engine valve steels would not assist the U.S. industry, they would have a significant negative impact on Eaton. In the U.S., Eaton's Engine Air Management Operations employ about 3,000 employees at eight different locations, primarily in the Midwest. If trade restrictions were to be placed on the relatively small proportion of its stainless steel requirements that it cannot obtain from domestic suppliers (just 9% of its total stainless steel purchases in the U.S.), Eaton may be compelled to shift production from its U.S. facilities to plants in other countries. If Eaton were unable to source these three types of engine valve steel from abroad, its plants at Kearney, Nebraska; Belmond, Iowa; and Westminster, South Carolina would be affected by the resulting production and employment cutbacks.

D. Names and Locations of Producers

Eaton has purchased the subject engine valve steels from two suppliers, Aubert & Duval, S.A., France, and Villares Metals, S.A., Brazil. Eaton believes that the following companies, all located outside the United States, may have the capability of producing these steels:

EMS 1: [

]

EMS 284: [

]

EMS 247: [

]

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	Quantity (Short tons)				
	1996	1997	1998	1999	2000
EMS 1	NA				
EMS 284	NA				
EMS 247	NA				

	Value (\$000)				
	1996	1997	1998	1999	2000
EMS 1	NA				
EMS 284	NA				
EMS 247	NA				

The consumption figures reported above are based on Eaton's own purchases of these three categories of engine valve steels.

2. Projected Consumption (2001-2005)

	Quantity (Short tons)				
	2001	2002	2003	2004	2005
EMS 1					
EMS 284					
EMS 247					

	Value (\$000)				
	2001	2002	2003	2004	2005
EMS 1					
EMS 284					
EMS 247					

The projected consumption figures reported above are based on Eaton's records of purchases in the current year (2001) and its forecast of consumption of these three engine valve steels based on its projection of its own customers' demand for engine valves using these materials.

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As noted above, none of these three products are currently commercially available from the domestic industry. Furthermore, because these are small volume, highly specialized products, no public statistics are available regarding U.S. industry production.

G. U.S. Production of Substitute Products

There are no U.S.-produced substitutes for the engine valve steels Eaton purchases from foreign suppliers.

III. Conclusion

For the foregoing reasons, Eaton respectfully requests that the engine valve steels it purchases from foreign suppliers be excluded from any import restrictions that may be imposed as part of the relief granted by the President to the U.S. steel industry under Section 203(a) of the Trade Act of 1974, as amended, 19 U.S.C. §2253(a).

Respectfully submitted,



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